

**Belvedere:** July 13, 2005  
*Jerry Butler*

**Corte Madera:** TO: Executive Committee  
*Melissa Gill*

RE: Strategic Plan Process – Policy Issues – Agenda Item 5

**Fairfax:**  
*Lew Tremaine*

Dear Executive Committee:

**Larkspur:**  
*Joan Lundstrom*

Last month, an initial list of anticipated strategic plan policy related questions for allocation of Measure A funds was provided. Draft responses to some of these questions are included in Attachment A.

**Mill Valley:**  
*Dick Swanson*

The Strategic Plan will be developed in an iterative process over the next several months, as we balance the needs and implementation of all Measure A strategies against available funding over the 20-year life of the sales tax. The questions herein begin to address the methodologies to be used in development of the financial plan included in the Strategic Plan. It is envisioned these issues will be incorporated into the overall goals & objectives of the Plan.

**Novato:**  
*Pat Eklund*

**Ross:**  
*Jeanne Barr*

Staff will discuss draft responses with the Committee, including financial considerations.

**San Anselmo:**  
*Peter Breen*

**San Rafael:**  
*Al Boro*

**Recommendation**

**Sausalito:**  
*Amy Belser*

That the Executive Committee discuss strategic plan policy related questions and provide feedback.

**Tiburon:**  
*Alice Fredericks*

Respectfully Submitted,

**County of Marin:**

*Susan Adams*

*Hal Brown*

*Steve Kinsey*

*Charles McGlashan*

*Cynthia Murray*

Craig Tackabery  
Executive Director

Attachments: Attachment A – Draft Responses to Strategic Plan Initial List of Policy Issues for Allocations of Measure A Funds

## ATTACHMENT A

### TRANSPORTATION AUTHORITY OF MARIN

#### Draft Responses to Strategic Plan Initial List of Policy Issues for Allocation of Measure A Funds

The Sales Tax Expenditure Plan, page 2, states tax revenue available is net expenses for administration, debt service and bond issuance costs. Per the plan, *Net Revenue* is assumed to be sales tax revenue collected less:

- Board of Equalization administration fees
- 1% of sales tax revenue generated for TAM administrative salaries and benefits
- 4% of sales tax revenue generated for TAM administration
- Debt service and bond issuance costs

The above costs will be paid for from sales tax revenues, or “off the top”, before monies are made available for strategies. The following questions pertain to the off the top costs:

1. \$155,000 was spent on election costs. Should these costs be funded by Measure A or by other sources available to TAM?

***Draft Response:*** Yes, election costs should be funded by Measure A and taken “off the top”. Per PUC 180203 (a), these are eligible Measure A costs.

2. The Sales Tax Expenditure Plan assumes a \$30 M bond issue in the first year of the sales tax. Questions related to debt financing are:
  - a) Of the \$30 M assumed to be bond issue off the top, is it assumed approximately \$25 M is dedicated to the 101 Gap Closure Project and \$5 M to other eligible projects?

***Draft Response:*** Yes, in the \$30 M bond issue assumed in the Sales Tax Expenditure Plan, it is assumed approximately \$25 M is dedicated to the 101 Gap Closure Project and \$5 M to other eligible projects.

If yes and \$25 M is not needed for the Gap Closure Project, does the available off the top debt financing capacity increase for other eligible projects?

***Draft Response:*** Considerations before responding to this question are:

- 1) Determining at what point in the delivery of the 101 Gap Closure Project can it be assumed the entire \$25 M bond, or portion thereof, is not needed for this project? To answer this, staff suggests the Executive

Committee review an overall delivery schedule, with milestones and funding decision points for Segments 3 and 4: Gap Closure Project, to assess potential funding needs, including contingencies, to facilitate successful delivery of this project through completion. Staff intends on providing schedule and cost information at the August EC meeting. Relevant issues in reviewing cost and schedule data include:

- a. Current project schedule indicates Segment 3 contract award in December 2005 and Segment 4 award in December 2006. Both segments are scheduled for construction to be completed by December 2008. Funding for Segments 3 and 4 are based on Caltrans cost estimates, based on past experience with similar projects. Actual construction contract amount will not be known until award. While cost estimates can be further refined after contract award, final project costs for both segments will not be known until projects are completed and all costs settled with contractor. all right of way, utility relocation and project administration costs are finalized.
  - b. Final costs for other project costs such as right of way, utility relocation and project administration will not be known until all work is completed and costs are finalized.
  - c. After the mainline construction is complete, the landscape phase will require funding.
  - d. Additional funding may become available for the Gap Project. Caltrans anticipates CTC will address project funding allocations for Segment 3 construction by August 2005, which could allow the already secured federal funding to be used for Segment 4.
- 2) Waiting for plans and justification from potential Measure A claimants to determine potential bond needs for other eligible projects and
  - 3) Further analysis of various debt financing options and amounts with objective of minimizing debt financing costs and limiting bond eligible projects to ones deemed justifiable.
- b) If debt financing is not issued in the first year of the sales tax, what amount should be assumed retained "off the top" each year, until debt financing is issued, assuming it will occur?

**Draft Response:** An amount sufficient to adequately secure anticipated debt financing plus anticipated issuance costs.

- c) If initial debt financing is issued for less than \$30 M, should the cost associated with issuance of a lower amount be assumed the only cost taken "off the top", or should the SP assume additional debt financing (up to a total of \$30M) may occur later in the Measure program, and the associated cost will be "taken off the

top”? If yes, how should the SP account for potential additional debt financing costs over time?

***Draft Response:*** (To be discussed at a later date.)

3. The Expenditure Plan allows for up to 1% of revenues generated will pay for salaries and benefits for administrative employees, and the plan assumed 4% of revenues generated will pay for other administration costs, totaling 5% annual administration cost. Given TAM is in start-up mode and administration costs can not be fully estimated, should the first SP assume a 5% administration cost taken off the top over the life of the Measure? If yes, can 5% be an average for administration costs over the first 5 years, allowing for possible early, one-time start-up costs?

***Draft Response:*** Yes, a 5% annual off the top administration cost should be assumed over the life of the Measure.

The plan should:

- a. Allow for 1% of revenues generated per year for salaries and benefits for administrative employees, and
- b. Assume an average of 4% of revenues generated for other administrative costs over the first 5 years, then 4% per year, thereafter.

The Sales Tax Expenditure Plan, pages 7, 14, 17 and 22, identifies the percentage of **Net Revenues** available for programs and projects for all strategies, as summarized in the following table:

Strategy	Sub-Strategy	%	Estimated 20-year Revenue Available to <b>Programs</b> (\$Millions)	Estimated 20-year Revenue Available to <b>Projects</b> (\$Millions)
1	Maintain and Expand Local Bus Transit Service	37%	\$ 122.69	
	Maintain and Expand Rural Bus Transit System	3%	\$ 9.95	
	Maintain and Expand Transit Services and Programs for Those with Special Needs	9%	\$ 29.84	
	Invest in Bus Transit Facilities for a Clean and Efficient Transit System	6%		\$ 19.90
2	Highway 101 Carpool Lane Gap Closure Project through San Rafael	7.5%		\$ 24.87
3	Local Roads for All Modes	13.25%	\$ 43.935	
	Major Roads and Related Infrastructure	13.25%		\$ 43.935
4	Safe Routes to Schools	3.3%	\$ 10.94	
	Crossing Guards	4.2%	\$ 13.93	
	Provide Capital funds for Safe Pathways to School Projects	3.5%		\$ 11.61
	Total:	100%	\$ 231.285	\$ 100.315

The following questions pertain to funding available for each strategy and sub-strategy within:

4. The Sales Tax Expenditure Plan, Page 26, Section Bonding and Financing, 2<sup>nd</sup> paragraph, states "The Authority will also have the ability to set aside a reserve fund of up to 10% of the annual receipts from the tax for contingencies, to ensure that the projects included in this plan are implemented on schedule."

Should the Authority retain a reserve from net revenues? If yes:

- a) For all strategies or for specific sub-strategies?
- b) At what percentage?
- c) For how long and/or to what minimum balance?

**Draft Response:** Yes, the Authority should retain a reserve from net revenues to provide a contingency plan.

To consider how the reserve is taken, staff will present at a future meeting various methods used at other agencies.

5. For sub-strategies identified as programs in table above, should allocations be made on the basis of actual cash received, per the percentages shown?

**Draft Response:** Yes. (Timing of disbursements to be considered at a later date.)

6. Can “borrowing” occur between:

- a) Strategies?
- b) Sub-strategies?

If yes, will any interest be charged to the sub-strategy or strategy borrowing the funds?

**Draft Response:** (To be discussed at a later date.)

7. If a balance exists, does the interest accrue to the :

- a) Sub-strategy where the balance exists or
- b) Strategy where the balance exists or
- c) Measure A program balance?

**Draft Response:** (To be discussed at a later date.)

8. Should any finance charges associated with use of funds in excess of “net revenues” available to each sub-strategy be charged against:

- a) Sub-strategy or
- b) Strategy or
- c) All strategies (i.e. “taken off the top”)?

**Draft Response:** a) sub-strategy

9. Should program management costs directly associated with a sub-strategy be charged against:

- a) Sub-strategy or
- b) Strategy or
- c) All strategies (i.e. “taken off the top”)?

**Draft Response:** a) sub-strategy

10. The Sales Tax Expenditure Plan, page 15, under Strategy 2 – Highway 101 Carpool Lane Gap Closure Project - states “If additional outside funding becomes available for this project in the future, sales tax revenues dedicated to this project would be redirected to transit projects outlined in Strategy 1.” At what point in the delivery of this project, should the decision be considered to redirect funds?

**Draft Response:** *(To be discussed at a later date, in conjunction with the Gap Project delivery schedule mentioned under Item 2 above.)*

The Sales Tax Expenditure Plan, page 26, states “The Authority will prepare an annual Work Program and Budget and a biennial Strategic Plan, which will identify the priorities for projects and the dates for project implementation based on project readiness, ability to generate matching or leveraged funds, and other relevant criteria.”

The following question pertains to the development of the Strategic Plan:

11. Should the first Strategic Plan commit to a Measure A funding schedule for all sub-strategies over a specified number of years? If yes, how many years?

**Draft Response:** The Strategic Plan should provide an estimate of the annual Measure A fund programming over the 20-year life of the measure. Near-term specificity in funding for all sub-strategies should be consistent with claimant expenditure plans.